FED CATTLE: Fed cattle traded $3 lower on a live basis compared to a week ago. Live prices were $140 to $143 while dressed trade occurred between $220 and $223. The 5-area weighted average prices thru Thursday were $141.20 live, down $2.20 from last week and $222.12 dressed, down $4.46 from a week ago. A year ago prices were $159.22 live and $249.94 dressed. Nothing has slowed the fed cattle market’s price descent. As it continues to slowly slide down the hill, cattle feeders are hoping this price decline does not come with a snowball effect. There will be little to support fed cattle prices the next several weeks as the grilling season wraps up this weekend. The only support may come from children being back in school and the charcoal grills being fired up on the weekends as football season kicks off. Feedlot operators can only hope fed cattle prices do not slip into the abyss the next couple of months as beef movement tends to be slack during late summer and early fall. After a dismal year of feeding losses, feedlots will be looking to get calves bought “right” this fall.

BEEF CUTOUT: At midday Friday, the Choice cutout was $240.63 down $0.18 from Thursday and down $3.00 from last Friday. The Select cutout was $229.15 up $0.71 from Thursday and down $3.68 from last Friday. The Choice Select spread was $11.48 compared to $10.80 a week ago. The struggle in the beef market is real and the prospects for the near future are not looking very good. There are several factors specific to the beef industry that have contributed to where beef prices sit today. However, fundamentals related to competing meats have also increased pressure on beef prices. For instance, the retail price of beef in July was 4.14 times higher than the retail price of chicken which is the highest ratio in the past twelve years. The average price ratio for beef to chicken from 2004 to present is 3.38 which means the current ratio is 22.4 percent higher than the average of the data analyzed. Similarly, the retail price of beef in July was 1.64 times higher than the price of pork which is just below the data set record of 1.65 in June of 2015. The average price ratio of retail beef price to retail pork price from 2004 to present is 1.34 which means the current ratio is 22.3 percent higher than the average from the past twelve years. The price of beef relative to other meats is important to the consumer and it is prudent that industry take notice to address rising concerns.

OUTLOOK: One year ago, the cattle industry was looking on in amazement as cattle prices increased steadily throughout the fall months. It is amazing how the tide can turn in one year’s time from a market that defied seasonal tendencies to a market that could be considered struggling relative to the past 24 months. Cattle markets are following a more seasonal pattern this fall as calf prices are softening and will likely continue to do so through the next few months. Similarly, feeder cattle prices are a little softer, but the futures market is pricing in a more abrupt weakening than some may deem possible for feeder cattle. Steers were down $2 to $4 this week compared to last week while heifer prices were down $3 to $5 over the same time period. Based on deferred futures market contract prices this is just the beginning of a long trek where feeder cattle prices are expected to decline more than $17 per hundredweight between now and May. It seems hard to fathom feeder cattle prices will lose $17 the next nine months, but nothing is impossible. All one has to do to prove that nothing is impossible is reconsider the steady increase in calf and feeder cattle prices throughout 2014. With the thought that nothing is impossible in mind, there has never been a better time for producers to consider managing price risk and reviewing marketing strategies. The start of fall calf weaning is upon us and thus several calves will be coming to market while others enter a weaning and preconditioning phase on the home operation. Not to be left out, stocker producers will be looking to secure inventory this fall to grow through the winter months. All parties should be considering methods of securing a price for cattle to be sold either this fall or cattle to be marketed in the spring. Cow-calf producers also need to consider slaughter cow marketing scenarios. Market cow prices have been declining as is seasonal in the fall. They have room to decline further and producers should be considering their options to maximize the value of those animals.
ASK ANDREW, TN THINK TANK: Several questions came across the desk this week. Susan in West Tennessee had several questions concerning price risk. Susan’s primary question revolved around reducing price risk as a small producer. There are a couple of options small producers have to reduce price risk. The first option is to forward contract the cattle with someone who is willing to price the cattle today but will not take delivery of the cattle until a future date. The second alternative is Livestock Risk Protection Insurance (LRP). If a producer wants to use LRP then it is necessary to keep a close eye on the market to find an insurance price that can set a price floor high enough to provide price and profit protection if all the production side works out correctly. Please send questions and comments to agriff14@utk.edu or send a letter to Andrew P. Griffith, University of Tennessee, 314B Morgan Hall, 2621 Morgan Circle, Knoxville, TN 37996.

FRIDAY’S FUTURES MARKET CLOSING PRICES: Friday’s closing prices were as follows: Live/fed cattle –October $140.53 -1.08; December $142.88 -1.00; February $142.78 -0.95; Feeder cattle - September $201.15 -1.40; October $195.63 -1.70; November $192.93 -1.53; January $186.73 -1.48; September corn closed at $3.50 up $0.02 from Thursday.